

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA

INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

JUNE 30, 2004

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PLAINS AREA MENTAL HEALTH, INC.
BOARD OF DIRECTORS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Dan McCarty	President	2006
Mike Donlin	Vice-President	2006
Mary Tuttle	Secretary	2005
Wayne Meylor	Treasurer	2005
Jeff Neary	Member	2004
Zona Carlson	Member	2005
Sandy Boerner	Member	2006
Lenee' Sinnott	Member	2006
Rev. Matthew Draffen	Member	2004
Gladys Mortenson	Member	2005
Kay Kusters	Member	2006

James DeMuth	Executive Director	Retired 8/8/03
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Margaret Moir	Interim Director	Retired 6/10/04
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Patrick Schmitz	Executive Director	Started 3/1/04
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COUNTY BOARD LIASONS:

LeRoy Schoon	Cherokee County Supervisor
Rich Philips	Plymouth County Supervisor
Loren Bouma	Sioux County Supervisor
Jerry Ralston	Ida County Supervisor

INDEPENDENT AUDITORS' REPORT

Board of Directors
Plains Area Mental Health, Inc.
Le Mars, Iowa

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Plains Area Mental Health, Inc. (a nonprofit organization) as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2003 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which an unqualified opinion dated August 15, 2003, was expressed.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Plains Area Mental Health, Inc. at June 30, 2004, and the results of its operations, changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2004 on our consideration of Plains Area Mental Health, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The information on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

KINDWALL, BURKHARDT & DAWSON, LLP

Certified Public Accountants

August 19, 2004

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR 2003

	2004			2003
	UNRE- STRICTED FUND	FURNITURE, FIXTURES AND EQUIPMENT FUND	TOTAL	TOTAL
ASSETS				
CURRENT ASSETS:				
Cash on Hand	\$ 1,973	\$ 0	\$ 1,973	\$ 3,135
Cash in Bank	0	0	0	8,271
Cash in Savings and Money Market Funds	70,885	11,397	82,282	182,476
Accounts Receivable, Net of Allowance for Doubtful Accounts and Rate Adjustments of \$196,800 and \$191,900 at June 30, 2004 and 2003, Respectively	206,667	0	206,667	149,402
Other Receivables	52,992	0	52,992	46,956
Grant Receivables	10,443	0	10,443	9,678
Prepaid Expenses	20,493	0	20,493	20,248
Marketable Securities	25,230	0	25,230	0
TOTAL CURRENT ASSETS	\$388,683	\$ 11,397	\$ 400,080	\$ 420,166
FURNITURE, FIXTURES AND EQUIPMENT:				
Leasehold Improvements	\$ 0	\$ 29,831	\$ 29,831	\$ 18,641
Office Furniture and Equipment	0	258,629	258,629	255,694
TOTAL	\$ 0	\$288,460	\$ 288,460	\$ 274,335
LESS - Accumulated Depreciation	0	212,854	212,854	214,522
NET FURNITURE, FIXTURES AND EQUIPMENT	\$ 0	\$ 75,606	\$ 75,606	\$ 59,813
OTHER ASSETS:				
Investments	\$ 12,575	0	\$ 12,575	\$ 12,575
TOTAL ASSETS	\$401,258	\$ 87,003	\$ 488,261	\$ 492,554

See accompanying notes to financial statements

	2004			2003
	UNRE- STRICTED FUND	FURNITURE, FIXTURES AND EQUIPMENT FUND	TOTAL	TOTAL
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Checks in Excess of				
Deposits	\$ 1,426	\$ 0	\$ 1,426	\$ 0
Accounts Payable	40,247	0	40,247	42,805
Payroll Taxes Payable	6,047	0	6,047	12,623
Accrued Salaries	43,793	0	43,793	39,232
Accrued Pension				
Payable	<u>7,197</u>	<u>0</u>	<u>7,197</u>	<u>6,631</u>
TOTAL CURRENT				
LIABILITIES	<u>\$ 98,710</u>	<u>\$ 0</u>	<u>\$ 98,710</u>	<u>\$ 101,291</u>
NET ASSETS:				
Unrestricted:				
Board Designated	\$ 37,880	\$ 0	\$ 37,880	\$ 37,326
Undesignated	<u>264,668</u>	<u>87,003</u>	<u>351,671</u>	<u>353,937</u>
TOTAL NET ASSETS	<u>\$302,548</u>	<u>\$ 87,003</u>	<u>\$ 389,551</u>	<u>\$ 391,263</u>
TOTAL LIABILITIES				
AND NET ASSETS	<u>\$401,258</u>	<u>\$ 87,003</u>	<u>\$ 488,261</u>	<u>\$ 492,554</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR 2003

	<u>2004</u>			<u>2003</u>
	<u>UNRE- STRICTED FUND</u>	<u>FURNITURE, FIXTURES AND EQUIPMENT FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUES:				
Public Support:				
Contributions	\$ 835	\$ 0	\$ 835	\$ 4,595
Fees and Grants				
From Governmental				
Agencies	434,694	0	434,694	464,805
Outpatient and				
Community				
Services	1,213,043	0	1,213,043	1,119,045
Investment/Dividend				
Income	9,334	228	9,562	12,057
Recovery of Bad				
Debts	3,373	0	3,373	7,821
Miscellaneous				
Income	<u>45,721</u>	<u>0</u>	<u>45,721</u>	<u>38,413</u>
 TOTAL PUBLIC SUPPORT AND REVENUES	 <u>\$1,707,000</u>	 <u>\$ 228</u>	 <u>\$1,707,228</u>	 <u>\$1,646,736</u>
EXPENSES:				
Program Services:				
Outpatient and				
Community				
Support				
Services	\$1,025,943	\$ 0	\$1,025,943	\$1,035,114
Special Program				
Costs	<u>104,516</u>	<u>0</u>	<u>104,516</u>	<u>98,837</u>
 TOTAL PROGRAM SERVICES	 <u>\$1,130,459</u>	 <u>\$ 0</u>	 <u>\$1,130,459</u>	 <u>\$1,133,951</u>
Supporting				
Services:				
Management and				
General	<u>561,236</u>	<u>17,245</u>	<u>578,481</u>	<u>515,986</u>
 TOTAL EXPENSES	 <u>\$1,691,695</u>	 <u>\$ 17,245</u>	 <u>\$1,708,940</u>	 <u>\$1,649,937</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR 2003

	<u>2004</u>			<u>2003</u>
	<u>UNRE- STRICTED FUND</u>	<u>FURNITURE, FIXTURES AND EQUIPMENT FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
CHANGES IN NET ASSETS	\$ 15,305	\$ (17,017)	\$ (1,712)	\$ (3,201)
OTHER CHANGES IN NET ASSETS:				
Equipment Acquisitions (Net of Disposals) From Unrestricted Fund	(14,476)	14,476	0	0
Transfer of Funds to Furniture, Fixtures and Equipment Fund	(1,865)	1,865	0	0
Transfer of Funds to Unrestricted Fund	(14,833)	14,833	0	0
NET ASSETS AT BEGINNING OF YEAR	<u>318,417</u>	<u>72,846</u>	<u>391,263</u>	<u>394,464</u>
NET ASSETS AT END OF YEAR	<u>\$ 302,548</u>	<u>\$ 87,003</u>	<u>\$ 389,551</u>	<u>\$ 391,263</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR 2003

	2004		
	<u>PROGRAM SERVICES</u>		
	<u>ADM GRANT</u>	<u>AREA IV AGENCY ON AGING</u>	<u>OUTPATIENT AND COMMUNITY SUPPORT SERVICES</u>
Salaries and Wages	\$ 36,628	\$ 24,878	\$ 357,336
Employee Benefits and Payroll Taxes	2,812	3,318	152,931
Employee Travel and Transportation	<u>0</u>	<u>1,287</u>	<u>11,064</u>
TOTAL SALARIES AND RELATED EXPENSES	\$ 39,440	\$ 29,483	\$ 521,331
Contracted Services	21,189	0	405,499
Professional Development	0	505	3,193
Supplies, Books and Literature	0	9,163	13,220
Telephone	0	1,884	14,252
Postage	0	906	6,751
Repairs and Maintenance	0	0	0
Rents	0	0	0
Conferences, Conventions and Meetings	0	545	280
Membership Dues and Subscriptions	0	0	797
Insurance	0	939	23,228
Miscellaneous	0	0	358
Advertising and Recruitment	0	462	7,670
Professional Services	0	0	283
Bad Debts	0	0	29,081
Utilities	0	0	0
Interest Expense	0	0	0
Moving Expense	0	0	0
Loss on Sale of Equipment	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 60,629	\$ 43,887	\$1,025,943
Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENSES	<u>\$ 60,629</u>	<u>\$ 43,887</u>	<u>\$1,025,943</u>

See accompanying notes to financial statements

<u>2004</u>		<u>2003</u>
<u>SUPPORTING</u> <u>SERVICES</u> <u>MANAGE-</u> <u>MENT</u> <u>AND</u> <u>GENERAL</u>	<u>TOTAL</u> <u>PROGRAM</u> <u>AND</u> <u>SUPPORTING</u> <u>SERVICES</u> <u>EXPENSES</u>	<u>TOTAL</u> <u>PROGRAM</u> <u>AND</u> <u>SUPPORTING</u> <u>SERVICES</u> <u>EXPENSES</u>
\$325,327	\$ 744,169	\$ 758,386
55,846	214,907	199,532
<u>5,344</u>	<u>17,695</u>	<u>20,658</u>
\$386,517	\$ 976,771	\$ 978,576
0	426,688	400,836
990	4,688	4,407
1,396	23,779	26,259
921	17,057	17,372
0	7,657	8,235
19,027	19,027	17,525
83,240	83,240	66,403
2,852	3,677	3,799
4,363	5,160	5,012
0	24,167	24,831
3,601	3,959	4,146
7,231	15,363	8,755
27,273	27,556	22,247
0	29,081	38,887
16,332	16,332	8,315
0	0	211
7,493	7,493	3,983
<u>1,980</u>	<u>1,980</u>	<u>0</u>
\$563,216	\$1,693,675	\$1,639,799
<u>15,265</u>	<u>15,265</u>	<u>10,138</u>
<u>\$578,481</u>	<u>\$1,708,940</u>	<u>\$1,649,937</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (1,712)	\$ (3,201)
Adjustments to Reconcile Change in Net Assets to Net Cash Used for Operating Activities:		
Loss on Sale of Equipment	1,980	0
Depreciation	15,265	10,138
Net Unrealized Loss on Investments	3,783	0
(Increase) Decrease in:		
Accounts Receivable	(57,265)	62,999
Other Receivables	(6,036)	(8,495)
Grant Receivables	(765)	307
Prepaid Expenses	(245)	(2,726)
Increase (Decrease) in:		
Accounts Payable	(2,558)	(5,533)
Payroll Taxes Payable	(6,576)	134
Accrued Salaries	4,561	3,570
Accrued Pension Payable	566	(619)
Deferred Support	<u>0</u>	<u>(5,365)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (49,002)	\$ 51,209
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds From Sale of Equipment	\$ 20	\$ 0
Purchase of Equipment	(33,059)	(40,333)
Redemption of Marketable Equity Security	16,250	24,539
Purchase of Investment	<u>(45,262)</u>	<u>0</u>
NET CASH (USED FOR) INVESTING ACTIVITIES	\$ (62,051)	\$ (15,794)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Long-Term Debt	\$ 0	\$ (7,650)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (111,053)	\$ 27,765
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>193,882</u>	<u>166,117</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 82,829</u>	<u>\$ 193,882</u>

PLAINS AREA MENTAL HEALTH, INC.
 LE MARS, IOWA
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2004
 WITH COMPARATIVE TOTALS FOR 2003

	<u>2004</u>	<u>2003</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:		
Cash on Hand	\$ 1,973	\$ 3,135
Cash in Bank	0	8,271
Checks in Excess of Deposits	(1,426)	0
Cash in Savings and Money Market Accounts	<u>82,282</u>	<u>182,476</u>
	<u>\$ 82,829</u>	<u>\$ 193,882</u>
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	<u>\$ 0</u>	<u>\$ 211</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY - The Center is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Cherokee, Ida, Plymouth and Sioux Counties.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

FUND ACCOUNTING - The accounts of the Center are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are grouped as follows in the financial statements:

UNRESTRICTED FUND - This fund is utilized to account for the daily transactions of the Center that are not properly recorded in another fund.

The Center's Board may designate portions of the current unrestricted fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Center maintains separate accounts for such designations within the current unrestricted fund and segregates the designated and undesignated portions of the fund within the net assets section of the balance sheet.

FURNITURE, FIXTURES AND EQUIPMENT FUND - This fund is established to account for all furniture and equipment of the Center and provide funds for replacements.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

FURNITURE, FIXTURES AND EQUIPMENT - Furniture and equipment is stated at cost. Expenditures for additions and betterments are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. The cost of assets retired or sold and the related accumulated depreciation are eliminated from the accounts in the year of disposal, with the resulting gain or loss credited or charged to operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. No interest costs were capitalized since there were no qualifying assets.

BASIS OF ACCOUNTING - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of fixed assets providing future benefits are directly charged against the unrestricted fund balance and capitalized in the furniture, fixtures and equipment fund.

BASIS OF PRESENTATION - Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

CASH AND CASH EQUIVALENTS - The Center considers cash on hand and demand deposits in banks as cash, and certificates of deposit with original maturities of three months or less as cash equivalents. There were no cash equivalents at June 30, 2004 and 2003.

RECEIVABLES - Receivables are shown at the amount expected to be collected after determining the allowances for doubtful accounts based on an aging of all the individual patient balances.

MARKETABLE EQUITY SECURITIES - The Center's marketable securities are classified as available for sale and consist of equity securities that have a readily determinable fair market value. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such determinations at each balance sheet date.

Realized gains and losses on all marketable securities are determined by specific identification and are charged or credited to current earnings.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

DONATED MATERIALS - Donated materials are recognized as contributions and valued at fair market value at receipt.

COMPENSATED ABSENCES - Center employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2004 and 2003.

PROMISES TO GIVE - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

NET PATIENT SERVICE REVENUE - Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

TOTAL COLUMN - The total column on the statement of financial position and the statement of activities is presented to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - INVESTMENTS:

Cost and fair market value of marketable securities available for sale at June 30, 2004 and 2003 are as follows:

<u>YEAR</u>	<u>COST</u>	<u>UNREALIZED LOSSES</u>	<u>FAIR VALUE</u>
2004	\$ 28,619	\$ 3,389	\$ 25,230
2003	\$ 0	\$ 0	\$ 0

The marketable securities were called April 17, 2003 for \$24,325.

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS:

OPERATING LEASES:

The Center rents space for the Le Mars and Cherokee offices under noncancellable operating leases. The Center rented a copier for the Le Mars office under a noncancellable operating lease, which expired May 17, 2004. The operating lease expense under noncancellable operating leases was \$69,760 and \$57,902 for the years ended June 30, 2004 and 2003, respectively. The following schedule shows the minimum future rental payments due under the leases.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS - CONTINUED:

<u>YEAR ENDED</u>	<u>AMOUNT</u>
2005	\$ 84,460
2006	84,460
2007	84,460
2008	84,460
2009	84,460
Thereafter	<u>353,827</u>
 TOTAL	 <u>\$776,127</u>

The Cherokee office subleases a portion of their office space. The LeMars office subleases a portion of their office space under a noncancellable one year lease. Total rent earned for the years ended June 30, 2004 and 2003 was \$21,652 and \$10,899, respectively. The following schedule shows the minimum future rental income from the sublease.

<u>YEAR ENDED</u>	<u>AMOUNT</u>
2005	<u>\$ 9,163</u>

NOTE 4 - CONTINGENCIES:

Center employees can accumulate up to 480 sick leave hours for subsequent use. These accumulations are not recognized as expenditures until used. The Center's appropriate maximum liability for unrecognized accrued employee benefits at June 30, 2004 and 2003 is \$71,694 and \$93,357, respectively.

NOTE 5 - DEFINED CONTRIBUTION PENSION PLAN:

Effective June 1, 1996, the Center adopted a profit sharing pension plan covering substantially all of its full-time employees. The Center contributes 5% of covered employees salaries. Pension expense amounted to \$22,584 and \$25,300 for 2004 and 2003, respectively. Previously the Center had a defined contribution pension plan. Plan assets remain in this plan but no new contributions will be made.

NOTE 6 - OTHER ASSETS:

The Center has joined with other similar agencies to form Tri-State Behavioral Health Association. This is a nonprofit group formed to benefit its members. The original investment was \$11,000. It is carried at cost.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 - OTHER ASSETS - CONTINUED:

The Center invested \$1,575 in an insurance company to participate in their insurance program. It is also carried at cost.

NOTE 7 - RISK MANAGEMENT:

Plains Area Mental Health, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. These risks are covered by commercial insurance purchased from independent third parties. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 8 - CONCENTRATION OF RISK:

Cash in Savings and Money Market Funds at First National Bank exceeded \$100,000, which is the amount insured by FDIC, for the year ended June 30, 2003.

SUPPLEMENTAL INFORMATION

PLAINS AREA MENTAL HEALTH, INC.
 LE MARS, IOWA
 SCHEDULE OF FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
 FOR THE YEAR ENDED JUNE 30, 2004
 WITH COMPARATIVE TOTALS FOR 2003

	<u>2004</u>	<u>2003</u>
COUNTY ALLOTMENTS:		
Plymouth County, Iowa	\$128,008	\$133,938
Sioux County, Iowa	115,853	111,700
Cherokee County, Iowa	34,892	37,926
Ida County, Iowa	53,000	51,837
Other Iowa Counties	<u>4,686</u>	<u>12,138</u>
	<u>\$336,439</u>	<u>\$347,539</u>
GENERAL ALLOCATION:		
Cherokee County, Iowa	<u>\$ 31,306</u>	<u>\$ 29,815</u>
ADM GRANT:		
Department of MH/MR/DD	<u>\$ 46,276</u>	<u>\$ 44,232</u>
ELDERLY PEER GRANT:		
Area IV Agency on Aging	<u>\$ 9,600</u>	<u>\$ 9,600</u>
HEAD START GRANT:		
Mid-Sioux Opportunity, Inc. Head Start Program	<u>\$ 8,000</u>	<u>\$ 7,530</u>
SENIOR LIVING TRUST PROGRAM GRANT:		
Northwest Aging Associates	<u>\$ 668</u>	<u>\$ 3,600</u>
RURAL CRISIS	<u>\$ 2,405</u>	<u>\$ 15,026</u>
RIVER VALLEY GRANT	<u>\$ 0</u>	<u>\$ 7,463</u>
	<u>\$434,694</u>	<u>\$464,805</u>

See accompanying independent auditors' report

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors
Plains Area Mental Health, Inc.

We have audited the financial statements of Plains Area Mental Health, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated August 19, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Plains Area Mental Health, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Plains Area Mental Health, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of Plains Area Mental Health, Inc. and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Plains Area Mental Health, Inc. during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

KINDWALL, BURKHARDT & DAWSON, LLP

Certified Public Accountants

August 19, 2004

NEWS RELEASE

FOR IMMEDIATE RELEASE:

Kindwall, Burkhardt & Dawson, LLP today released an audit report on Plains Area Mental Health, Inc. for the year ended June 30, 2004.

The auditors reported that revenues totaled \$1,707,228 for the year ended June 30, 2004, a 3.7 percent increase from 2003. The revenues included \$835 in contributions, \$434,694 in fees and grants from governmental agencies, \$1,213,043 from Outpatient and Community Support Service, \$9,562 in interest earned and \$49,094 in miscellaneous income.

Expenditures for the year totaled \$1,708,940, a 3.6 percent increase from the prior year, which included \$1,025,943 for Outpatient and Community Support Service, \$104,516 for Mental Health Programs, and \$578,481 for Supportive Services.

A copy of the audit report is available for review in the office of the Auditor of State or in the Plains Area Mental Health, Inc., Le Mars, Iowa office.